

MEETING MINUTES CITY OF MILPITAS

Minutes of:	Special Meeting of the Milpitas City Council
Date:	Tuesday, February 27, 2007
Time:	6:00 PM
Location:	Committee Room, Milpitas City Hall, 455 East Calaveras Blvd.

I. CALL TO ORDER AND ROLL CALL

Mayor Esteves called the meeting to order at 6:00 PM. All gathered pledged allegiance to the U.S. flag.

PRESENT: Mayor Esteves, Vice Mayor Livengood, Councilmembers Giordano, Gomez and Polanski

ABSENT: None

II. PUBLIC FORUM

Rob Means, Yellowstone Ave, addressed the City Council on the issue of global warming.

III. APPROVAL OF AGENDA

Motion: Approve agenda for this evening's meeting

Motion/Second: Councilmember Polanski/Councilmember Giordano

Motion carried by a vote of: AYES: 5
NOES: 0

IV. BUDGET PLANNING AND DIRECTION TO STAFF FOR FISCAL YEAR 2007-08

City Manager Tom Williams thanked the Council for holding this budget study session. The purpose and objectives were to present, discuss and brainstorm ideas to balance the City's annual budget, and to address the long-term structural deficit. He provided several discussion points, including the anticipated \$7.5 million shortfall, with no program or service cuts recommended at this time. He noted that revenue enhancements as necessary would be recommended to avoid any cuts, and that there were 92 vacant employee positions. Department heads would request to hire 18 of those that were funded.

Mayor Esteves inquired about deferred maintenance throughout the City over time and associated costs. Both the City Manager and City Engineer/Public Works Director responded, noting that there were several projects throughout the City that would need attention and funding allocated.

Councilmember Giordano inquired about capital equipment, such as police cars. Police Chief Graham responded that most police vehicles were covered under the MOU agreements. City Engineer Armendariz discussed all but police vehicles, in the fleet, and the City Manager mentioned HVAC at Senior Center in the Recreation budget.

Councilmember Gomez asked about the 18 funded positions to which the City Manager referred. Staff explained these were carryover from the last budget, and were funded vacant positions in the budget. Finance Director Emma Karlen stated the positions were from all around the City's departments – Building Safety, Fire, Police, Human Resources, and Finance – which mostly occurred as people have left the City and created vacant positions.

INTRODUCTION TO FY 2007-08

Ms. Karlen provided a broad overview of the budget status, a five-year forecast of projected revenue and expenditure trends, which included a \$7.5 million gap anticipated for next year.

Among other concerns, long term funding for retirees medical plan expenses was discussed. Ms. Karlen mentioned an irrevocable trust as one possible means of funding for retiree medical liability. For example, \$1.8 million was the suggested amount to place into the next budget as a line item - even though actuarial study recommended \$5 million per year, so \$1.8 million was reasonably suggested. If an irrevocable trust could earn much higher return upon investment for funding that item, it could be a better option. However, the drawback was that once in trust, the City could not touch that money.

Vice Mayor Livengood requested information on medical insurance premium costs based on the Kaiser Permanente HMO. He specifically requested the Human Resources Director to go out to research market costs for a different plan, which might offer higher co-pay on the employee's part and lower premium cost to the employer (the City).

Councilmember Polanski further inquired about the details of the current plans offered employees, clarifying that the City paid 100% of the premium. H.R. Director Carmen Valdez explained that the city paid up to the amount for the Kaiser premium, and then the employees paid the difference between Kaiser and another plan such as Blue Shield PPO. Ms. Polanski wanted to look at this seriously, stating her view that employees should pay some amount toward the costly premiums, as was required by other employers.

FUTURE STRATEGY

Ms. Karlen referred to the recently completed Cost Allocation Study, noting that it informed several of the fee increase suggestions presented this evening. She went on to Strategies for closing the budget gap (chart) and reviewed the sale of City properties to the Redevelopment Agency (\$29 million) in 2002. Payment to the City was planned to be made over several years.

Significant steps toward closing the anticipated budget deficit proposed by staff were:

1. \$6 million repayment from Redevelopment Agency to City for City properties
2. Use of a portion of the 2% Transfer Occupancy Tax revenue to fund arts-related programs Rainbow Theatre and Arts and Culture Grants (formerly CASP)
3. Implement a 9-1-1 telephone fee of approximately \$1.48 per landline phone
4. Cost Share select expenses with Milpitas Unified School District
5. Implement an Administrative Business License Processing fee
6. Various small Fee adjustments (including Building, Fire Inspection, and Attorney cost recovery)

On #2, several Councilmembers asked for explanation on funding from TOT toward cultural arts/theatre. The Mayor recalled the one-time intent of saving funds from that source toward a future performance arts center in Milpitas. The City Attorney and Finance Director clarified that the past ballot measure approved by voters for the increased hotel tax was specifically directed to fund the arts in the City, without a clear directive on which programs. Councilmember Livengood remarked that Measure H voters said use it for Library and cultural arts funding. Perhaps a comfort level on spending that money in what way, could be a discussion for the entire Council, in the future.

Ms. Karlen concluded her presentation with her estimated projections for the next five fiscal years, noting the small budget gap/deficit for each of those years. Those did not take into account any of the budget revenue enhancements proposed by staff at this meeting.

Mayor Esteves was concerned about the increase in various line items in her five year General Fund Five Year Projection listing. He specifically noted concern for the increase in salaries and benefits over that time.

Councilmember Polanski asked about the RDA loan payment, since it was not done for a few years to date. So, why was it included in the budget for next year? Staff responded, the plan was for the next five years or so, with payment of \$4 million each year proposed for repayment.

Councilmember Livengood responded to the Mayor's concern. The Mayor talked about revenues v. salaries, and discussed the \$61.29 million line item for salaries and benefits. Mr. Livengood pointed out that the percent of the overall budget spent on salaries and benefits was about the same over time (81% next Fiscal Year), in five years time also. He believed there was consistency in budget preparation, if that stayed roughly the same over time, as proposed by staff.

9-1-1 FEE PROPOSAL

Information Services Director Bill Marion introduced this topic, in working with Police and Fire departments, staff had developed a proposal for a 911 User Fee. Such fees were becoming more common, including cities that implemented them such as San Jose, Santa Cruz, San Francisco, Union City, Cupertino, Watsonville, Stockton, San Leandro, and Santa Cruz County.

Additionally, Fire Chief Frank described Emergency Medical Dispatch service, which is one that all other cities in Santa Clara County offer. It was a method to provide further detailed medical condition information from the dispatcher to the paramedic prior to arrival on scene. EMD was one service proposed to be funded by 911 fee.

Mr. Marion explained that the technology bonds issued in 2001 were depleted in 2005 (the Certificates of Participation for technology). It was logical that the City would need to begin replacement of the modern Computer Aided Dispatch equipment in the 911 communication center. The City needed to begin planning today for replacement.

Councilmember Livengood asked to separate the recommended EMD service from the 911 fee proposed. He was not convinced that the 911 fee was the right way to proceed, and that there were legal issues regarding Proposition 218 and other questions unresolved at this time. He was not in favor of increasing people's taxes and believed it to be a regressive tax (wealthy residents would pay same as low-income persons on monthly phone bill). He wanted more specifics on what the EMD was going to cost explicitly, including costs for training, start-up, and materials.

Councilmember Polanski agreed to look at these two separately, like her colleague suggested. She had difficulty with the imposition of another fee on customers' phone bills, especially if it did not apply to cell phones. She too mentioned the legal challenges to 911 fees.

Councilmember Giordano stated her view favorable to the 911 fee, and believed it to be a creative solution to budget needs. In response to Mr. Livengood, she said sewer and water were flat rate fees and saw the proposed fee as similar.

The Information Services Director commented that the City spent \$564,632 each year on service related to its current modern 911 service, an annual requirement for equipment related, and with EMD it would cost more than \$1 million. He discussed the fee calculation formula (similar to how other cities have done it to date) revealing the estimated \$1.48 per landline phone bill per month.

Mayor Esteves asked what other cities in Santa Clara County have instituted the fee, and staff replied Cupertino and San Jose. Ms. Karlen noted that most cities were waiting for legal challenges to be settled, and several would then like to implement the fee (such as Sunnyvale).

POLICE DEPARTMENT REVENUE

Police Chief Dennis Graham discussed the proposal to re-enter into a cost-sharing arrangement with the Milpitas Unified School District, as was done in 2002-03, in order to cover half the costs of two school resource officers – which would recover \$121,000. This proposal was to resume a relationship established in past practice.

The City would request MUSD to cover half the costs of the existing crossing guards that benefit MUSD students, in order to recover \$160,067.

The City would request the District also to fully fund (picking up the City's current one-half) the Youth Services Bureau secretary, who was a MUSD employee with a desk located at the Police Department, to recover \$26,000. Chief Graham stated the nature of the YSB had changed over the years.

The overall proposal for cost recovery from the School District through the efforts above was \$307,067.

Vice Mayor Livengood was in favor of splitting all three right down the middle. He had read where the schools had a budget surplus for the moment, but that might change in a year's time.

Councilmember Gomez asked the City Manager what the school district thought of this proposal. Mr. Williams said that Superintendent Dr. Karl Black was already anticipating this request, and he would discuss it with him further.

Councilmember Polanski responded that yes, the City should go to MUSD to ask for the cost-sharing arrangement again. She had no problem with asking to share on Item No. 1 (school resource officers). She wanted to review more carefully the crossing guard funding. She had no problem with the YSB secretary plan, if it was benefiting the school district, then MUSD should fund the position.

Mayor Esteves asked the Chief if the two school resource officers were those who work at the school campuses. Chief Graham replied that two of the three work the high school, another splits time between two middle schools. They teach police science class at the high schools in addition to service calls at the schools.

BUSINESS LICENSE ADMINISTRATIVE FEE

The Finance Department proposed to add a business license processing/administrative fee. Current tax revenue collected was \$280,000 per year, and it just about covered the cost of administering this tax. Finance staff proposed tacking on a \$50 new fee and \$25 fee for renewals. Significantly, the City had not increased the business license tax since 1977. At this time, the Finance Director would like to add the process fee to cover costs of administration of the issuance of business licenses.

In addition, there were some other proposed small fee adjustments for increase, yielding a bit more revenue for fire inspection, building fees, and attorney fee recovery from developers.

Mayor Esteves responded stating he wanted comparisons to other cities in detail in order to consider these proposed changes.

RECREATION RELATED FEE PROPOSALS

Upon comparison to eleven neighboring cities and governments, the Parks and Recreation Director brought forward nine program fees for increase, noting those were well below local average fees charged. No adjustments had been made since 2002, so an additional \$60,000 could be generated by the increases proposed. She displayed information onscreen detailing nine programs for increase with comparison to nearby cities average costs.

Mayor Esteves asked how many people were affected overall, and Ms. Greiner replied about 20,000 in total.

Councilmember Polanski asked were the fees for residents or non-residents? Staff replied primarily for residents, and said that there was normally a \$10.00 add-on for out-of-town participants. Ms. Polanski advocated for even higher fees for non-residents utilizing recreation programs. She also asked about preschool.

Ms. Greiner discussed child care options for the future, including the option to phase out the existing pre-school, in favor of solely a day care/play type of service. This would entail continuing with current participants in the pre-school program, and later on to phase it out by not enrolling any new participants in the next three years. The City could alternately provide a play/activity based program, as was the original objective 20 years ago.

Councilmember Giordano wanted to know if the City could implement the first option at full cost recovery, and staff said yes.

Councilmember Polanski felt one reason the program probably changed over time was that it was what parents were looking for on behalf of their children – quality pre-school before kindergarten. More input from the community was necessary to learn whether it was an option desired or, do they want the more expensive qualified pre-school.

Mayor Esteves viewed the program as one that really helps children, in the pre-school years, and felt it was important to maintain as a Recreation services program in this City.

Staff presentations concluded at 7:50 PM.

Next, Mayor Esteves discussed that while the City went on year after year, he was not really happy that the City was stagnating, that services were decreasing. Every budget year, salaries were increasing, but programs were not. His view was that no way needs were not changing, they were increasing. For example, he had spoken recently with the Police Chief. The Mayor would like zero tolerance on drugs in the community, a conspicuous presence of home burglaries and car thefts about which the City must do something, pre-school – need to maintain and expand it, on the Adobe Higuera - come forward on that project and not defer it, on roads the pavement maintenance should be kept as it was - at a level not going down, on the freeway (east side of 680) soundwall - work with Caltrans, and on the west side of 880, he wanted consideration of increased services for residents. He was not favorable on throwing away the burden on residents only.

Councilmember Gomez wanted to see and learn what were the unfunded needs in this City (e.g. retiree medical expenses and deferred maintenance costs). He asked, “What else should we be doing?” He noted that City staff deserved a lot of credit, with regard to how they were doing more with less over the last five years, including what has been cut from previous budgets.

Mayor Esteves next invited members of the audience to address the City Council.

Speakers:

Bob McGuire, asked for attention to the Cuciz Adobe and remained concerned for that one project. He was concerned for Main St. and referenced work done by the Public Works staff. On the adobe, the City really needed to have a bridge and had been working on that topic for a long time.

Mareile Ogle, had a question about the Rainbow Theatre, as she was under the impression that most participants donated their expertise, talent, costumes, etc. She found the money spent on the Theater exorbitant, so why did the Theatre program cost so much? The Finance Director responded briefly about its costs, including staff salary.

Rob Means, asked the question “was our police force the highest paid in the world?” He also made reference to disability retirements (due to an article on police disability in the news). He heard the talking about deferred maintenance, sounded like creative accounting. On the general fund expenditure curve, it was getting steeper over years, with revenues still lagging versus expenditures. He asked about other funds. On the cost allocation study – he felt fees could be reduced for solar panels. On the General Fund, five year projection, 3% was too low.

Mayor Esteves asked the City Manager to respond later to the many questions posed by Mr. Means.

Mike Baker, Canterbury Place, addressed Council last week on the playing field allocation and utilization issue. One thing would help Milpitas Youth Soccer Club and that was to expand facilities for youth sports. He asked for three items: 1) high school turf fields, not used by players on the weekends 2) improvements to Rancho School grounds, a good field but turf needed improvement and lighting and 3) add lighting at Russell School.

Isaac Hughes, addressed Council noting the City was taking more with regard to the business license. Government collected taxes, while school taxes were different and maintained separately. The school district had its own responsibility. Redevelopment Agency funds could be used for infrastructure. FEMA had grant funds to go after for the 911 fees, proposed at this meeting. He noted, lastly, that comments were mostly from elderly citizens, so do not make them wait and sit here.

Jerry Epps, took exception to the last speaker’s remarks about “old” people. He defended seniors as guaranteed good solid citizens in Milpitas, who did not mind sitting through this public City Council meeting.

Harriet McGuire addressed the Council about the Adobe structure. She wanted it to return to Council and decide whatever access would be built, and recommended that money for it be allocated. The Milpitas Historical Society would appreciate the completion of this long-planned for historical building and site, important to Milpitas.

City Council Actions:

- (1) Motion: direct City staff not to pursue the 911 telephone fee at this time

Motion/Second: Vice Mayor Livengood/Councilmember Polanski

Motion carried on a unanimous vote of: AYES: 5
NOES: 0

- (2) Motion: direct City staff to pursue the cost sharing plan with the Milpitas Unified School District

Motion/Second: Councilmember Gomez/Councilmember Giordano

Motion carried on a vote of: AYES: 4
NOES: 1 (Esteves)

- (3) Motion: direct City staff to pursue the business license administrative and development fees

Motion/Second: Councilmember Gomez/Councilmember Giordano

Motion carried on a unanimous vote of: AYES: 5
NOES: 0

- (4) Motion: direct City staff to implement Recreation fee adjustments presented at the meeting, noting specifically to seek cost recovery for the pre-school program as it was currently offered

Motion/Second: Councilmember Polanski/Councilmember Gomez

Motion carried on a unanimous vote of: AYES: 5
NOES: 0

- (5) Motion: direct City staff to follow through next Fiscal Year with loan repayment from the Redevelopment Agency to the City for parcels purchased in 2002, up to a maximum of the \$6 million proposed by staff

Motion/Second: Vice Mayor Livengood/Councilmember Gomez

Motion carried on a unanimous vote of: AYES: 5
NOES: 0

- (6) Motion: Direct City staff to expend some of the Transfer Occupancy Tax set-aside revenue for the Arts to fund a portion of performance arts expenses (Arts & Culture Grants – formerly “CASP” and Rainbow Theatre); and, possibly come back to Council with a resolution related to the percentage spent in future on specific arts programs

Motion/Second: Councilmember Polanski/Councilmember Gomez

Motion carried on a unanimous vote of: AYES: 5
NOES: 0

- (7) Motion: direct City staff to return to Council regarding the Alviso Adobe historical structure with addressing the status of access to it, including the option of the bridge included in any cost estimates, as part of the already scheduled Capital Improvement Program (to be discussed later in April)

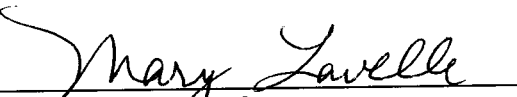
Motion/second: Councilmember Giordano/Councilmember Polanski

Motion carried on a unanimous vote of: AYES: 5
NOES: 0

V. ADJOURNMENT

Mayor Esteves adjourned the meeting at 8:27 PM.

The foregoing minutes were approved by the Milpitas City Council as submitted on March 20, 2007.



Mary Lavelle, City Clerk